

Message Text

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PAGE 01 CALCUT 00944 200515Z
ACTION NEA-10

INFO OCT-01 ISO-00 AGRE-00 STR-04 AID-05 CIAE-00
 COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06
 TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
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FM AMCONSUL CALCUTTA
TO SECSTATE WASHDC PRIORITY 6009
AMEMBASSY NEW DELHI PRIORITY
INFO AMEMBASSY COLOMBO
AMCONSUL BOMBAY
AMCONSUL MADRAS

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E.O. 11652: N/A
TAGS: ETRD, EAGR, US, IN
SUBJ: EXPORT DUTY ON TEA

REF: STATE 086512

1. ACCORDING TO T.S. BROCA, CHAIRMAN OF TEA BOARD, INDIAN CUSTOMS ACT PROVIDES THAT ALL TEA SHIPPED AFTER DATE ON WHICH NEW DUTY HAS BEEN IMPLEMENTED MUST PAY DUTY. FINAL JUDGEMENT ON WHETHER AN ITEM HAS BEEN SHIPPED RESTS WITH CUSTOMS AUTHORITIES. ACT WAS APPLIED IN THIS FASHION WHEN EXPORT DUTY WAS PLACED ON COFFEE, AND ALL COFFEE WHICH HAD ALREADY BEEN SOLD BUT NOT SHIPPED HAD TO PAY THE DUTY. SHIPPERS MAY REQUEST AN EXEMPTION FROM THE DUTY FROM THE MINISTER OF COMMERCE, GOI, AND A GROUP FROM THE CALCUTTA TEA TRADERS ASSOCIATION DID SO ON APRIL 16. (MINISTER REJECTED REQUEST.) BROCA SAID OTHERS MIGHT ALSO MADE REQUEST, BUT HE COMMENTED THAT THERE IS ABOUT 6 MILLION KGS OF TEA WHICH HAS BEEN SOLD FOR EXPORT, BUT NOT SHIPPED. WITH A LIMITED OFFICIAL USE

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DUTY OF RS. 5 PER KG. THIS MAKES RS. 30 MILLION THAT THE GOI STANDS TO LOSE IF EXEMPTIONS ARE GRANTED.

2. BROCA COMMENTED THAT THE GOVERNMENT INSTITUTED EXPORT DUTY TO KEEP BOTH EXPORT AND DOMESTIC PRICES FROM RISING TOO HIGH. WHILE THE GOI WELCOMED SOME INCREASE IN PRICE OF TEA, IT THOUGHT THAT VERY STEEP RISES WOULD BE UNHEALTHY.

BETWEEN DECEMBER 1976 AND MARCH 1977 PRICES HAD INCREASED FROM RS. 14- RS. 21 PER KG. IN THE LONG RUN OVERSEAS CUSTOMERS MIGHT BE LOST AND DOMESTIC CONSUMPTION WOULD FALL AS A RESULT OF SUCH RAPID INCREASES. PRODUCTION MIGHT BE EXPANDED TO SUCH AN EXTENT THAT THERE WOULD BE A GLUT AND WORKERS WOULD PUSH WAGES BEYOND WHAT THE INDUSTRY COULD AFFORD. A BOOM PSYCHOLOGY IS BEING CREATED IN WHICH TEA GARDENS ARE BEING SOLD FOR HIGH PRICES IN THE EXPECTATION THAT INVESTMENT COULD BE RECOVERED WITHIN TWO YEARS. BROCA THOUGHT THAT A REASONABLE RETURN ON INVESTMENT WAS ABOUT 20 PER CENT, BUT THE RBI WAS ESTIMATING THAT BETWEEN 1975-76 AND 1976-77 THE AVERAGE RATE OF RETURN ON A TEA GARDEN HAD GONE UP FROM 14 PER CENT TO 24 PER CENT.

3. BROCA SAID THE GOVERNMENT HOPED TO STABILIZE PRICES AT ABOUT RS. 18-20 PER KG. ALREADY PRICES FOR DOMESTIC TYPE TEAS HAVE GONE DOWN ABOUT RS. 2-3 AND FOR EXPORT-TYPE TEAS ABOUT RS. 8-9 PER KG. HE EXPECTS THERE WILL BE LITTLE CHANGE IN THE SITUATION UNTIL SEPTEMBER.

KORN

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